



The President's Daily Brief

February 6, 1974

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THE PRESIDENT'S DAILY BRIEF

February 6, 1974

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Bonn's hopes for making significant strides toward EC unity have been set back by the French. (Page 1)

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[redacted]
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WEST GERMANY - FRANCE - EC

West German hopes for making significant strides toward EC unity while Bonn chairs the EC Council this winter and spring have been set back by the French decision to float the franc. German officials are particularly bitter over the French action because it followed Bonn's offer to make some \$3 billion available to help France stay in the European joint float.

Some German officials suspect that the French had hoped West Germany would react with some hasty action that would have shifted the onus for the EC's difficulties to Bonn. There is still some speculation in Bonn, however, that Paris may make some conciliatory gesture or even rejoin the float later this year.

Bonn has not yet abandoned all hope of progress in the EC during its chairmanship. Finance Minister Schmidt, speaking in London last week, reaffirmed West Germany's call for a coordinated European effort to find a solution to the world energy and monetary problems. Schmidt also indicated that the remaining five members would continue the joint float in the hope that others--meaning France--would join.

Meanwhile, the US Embassy in Bonn believes that the West Germans are taking a close look at their foreign policy in light of recent setbacks suffered by the EC, the hardening of Soviet and East European attitudes toward the Federal Republic, and uncertainties about the continued US military presence in Europe. There is a growing feeling in some quarters that continued close ties with the US are of first importance, while others advocate a more conciliatory line toward the USSR and its allies.

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UNITED KINGDOM

Prime Minister Heath's response to the miners' decision to go ahead with a national strike on Sunday suggests that the government intends no further concessions. Heath accused the miners of an unwillingness to compromise, and Secretary of State for Employment Whitelaw commented that "no government could have been more reasonable."

Because negotiations have failed and there is no effective legislation to deal with the current crisis, Heath may be forced to call an early election. Although the miners may still refuse to return to work should the Tories win, Heath could impose a wage-price freeze as the next stage of his counterinflation program. He would probably try to get parliamentary approval for sterner industrial relations legislation.

Should the Trades Union Congress fulfill its pledge of last month to throw the full support of its 10 million members behind the miners, something approaching economic chaos is likely to result. Strikes would add to the already mounting trade deficit, turn the economic growth rate downward, and bring rising unemployment. Britain has been on a three-day workweek since the beginning of the year, and the government has threatened to cut back further if a strike occurs. The miners' ban on overtime, in effect for nearly three months, has reduced coal production by roughly 30 percent. The government now estimates that the power stations' coal stocks will carry the country only through March.

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JORDAN

King Husayn returned to Amman from London last night to negotiate with rebellious army elements, whose demands appear to have hardened since trouble erupted last weekend.

The small group of enlisted men who started the trouble has gained adherents from among the lower ranks of other units.

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So far, one attempt to mollify the dissidents has failed. A conciliatory message allegedly sent from the King in London was circulated yesterday morning, but most of the rebellious troops do not believe it came from him.

The troops were disdainful of the claim in the message that the government is doing its best to lower the cost of living and to raise soldiers' pay. The message postponed the decision on a prime demand, suspension of debts owed by enlisted men. As a result, the dissidents insist they will henceforth negotiate only with King Husayn.

Besides economic benefits, the troops are calling for dismissal of the army and air force chiefs of staff and the Prime Minister, whom they blame for the high cost of living. They want the King's uncle, Sharif Nasir, to be named army commander and prime minister.

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So far, loyalty to the King is firm. There has been no violence, and both Amman and Zarqa appear calm. Local media have not reported the trouble, but public discussion of it is growing.

Security officials are concerned that the situation may be exploited by civilian dissidents in the form of sympathy demonstrations in Amman. Security forces probably could not be counted on to suppress such a demonstration with force.

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CHINA

The anti-Confucius campaign has intensified. Peking apparently issued instructions late last month making the campaign a priority task. The propaganda media are devoting almost exclusive attention to it, and Chinese residents are waiting in line to buy newly published anti-Confucius material.

On February 2, an editorial in the official party newspaper indicated that the campaign has Mao's personal endorsement and called on "every leading comrade" to take a stand. Terming the drive a "mass political campaign," a "thoroughgoing revolution," and a "war," the editorial noted that the campaign is linked with the "current class struggle."

The campaign has become the largest political movement in China since the Cultural Revolution of the mid-1960s, but its objectives appear to be more limited. The February 2 editorial injected a note of caution, warning cadre to "keep firmly to the general orientation" of the struggle. Provincial broadcasts have echoed this theme and have called for discipline in carrying out the campaign. Many Chinese and foreign observers have speculated that the drive is aimed at someone in the current leadership. The Cultural Revolution, by contrast, was an attempt to shake up the entire Chinese party and government apparatus.

The campaign has contributed to heightened political tensions. Policy debates, particularly in the fields of culture and education, are being waged in the media almost daily. Western music has come under attack, and a Western film maker was denounced for an unflattering portrayal of life in China. Foreign diplomats in Peking have noted that domestic political tensions are being reflected in the increasingly standoffish behavior of Chinese officials.

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FRANCE - SAUDI ARABIA

The French are pursuing negotiations with Saudi Arabia for oil, and hope to get 800 million tons over 20 years with 200,000 barrels per day as an average over the first three years. Imports would rise sharply thereafter. The final price has not been established. French officials are comparing the reported UK contract with Iran at \$7 per barrel, plus margin, to recent "small" Saudi offers to France of about \$11 per barrel.

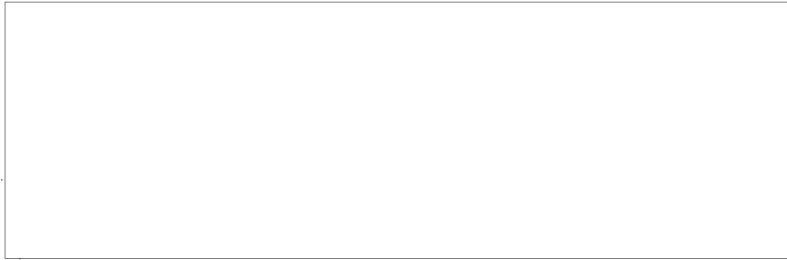
According to the US Embassy in Paris, industrial projects proposed by the French include construction of oil tankers and petrochemical plants, and expansion of the Jidda refinery. Water desalination projects, color TV systems, steel works, international telephone hook-ups, and mineralogical research are also being discussed. French inability to come up with a unified industrial package is probably causing delays in the talks. Foreign Minister Jobert reportedly is dismayed that French business is not geared to provide such offers and that the Quai cannot provide business with the necessary staff support.

Negotiations are being conducted under an intergovernmental committee established during Jobert's visit in late January. The French hope to reach general agreements on oil purchases and on industrial and technical assistance by late March. Paris believes it is essential to arrange deals now on a government-to-government basis, because it feels the Saudi regime will assume an increasingly important position in oil marketing while the role of the international companies will decline.

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SYRIA-IRAQ-EGYPT



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FEDAYEEN

A meeting of the legislative council of the Palestine Liberation Organization (PLO), scheduled for February 15, will probably be postponed indefinitely. According to [redacted] the Syrian-controlled Saqiya fedayeen organization, a council meeting at this time would only emphasize the dissension over the question of participating in the peace negotiations.

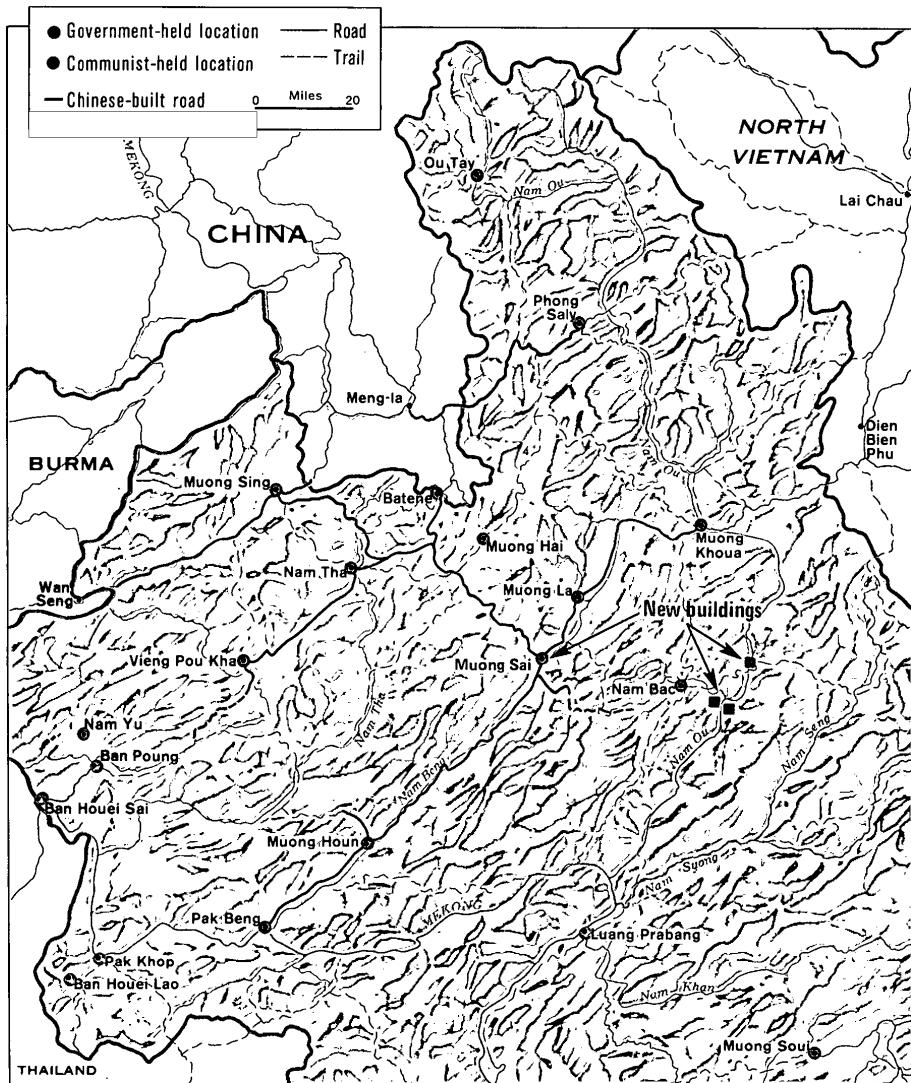
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PLO chairman Arafat is meeting this week with other fedayeen leaders in Damascus, after consultations with the leaders of Egypt, Libya, and Saudi Arabia. Arafat almost certainly has been appealing for their help--or at least noninterference--in his efforts to forge a peace policy that other fedayeen leaders can accept.

President Sadat has complicated Arafat's task by insisting that the PLO reach an agreement with King Husayn on Palestinian representation at the peace talks. Although some Fatah moderates would accept a limited working relationship with Husayn for tactical purposes, the more radical, non-Fatah PLO leaders would not. They are already criticizing Arafat for his willingness to involve the Palestinians in peace negotiations and his failure to condemn the Egyptian-Israeli disengagement.

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Chinese Road Network in Northwest Laos

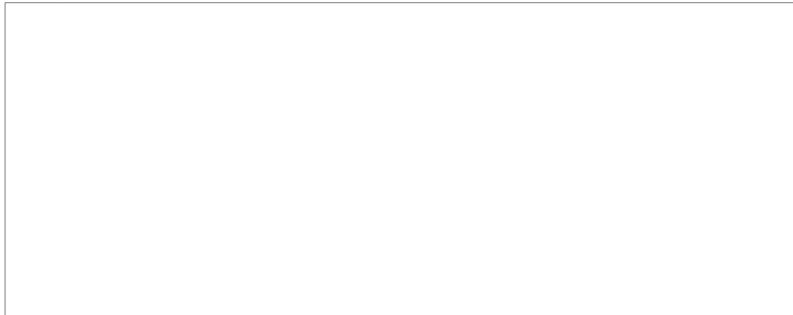


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CHINA-LAOS



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The latest photography provides no evidence of a significant expansion of the Chinese-built road system. The Chinese have apparently begun construction of numerous buildings along the Ou River, however, and are expanding their facilities at Muong Sai, the central town along the road network. Many of the new buildings appear to be suitable for housing, possibly for the troops that have just arrived.

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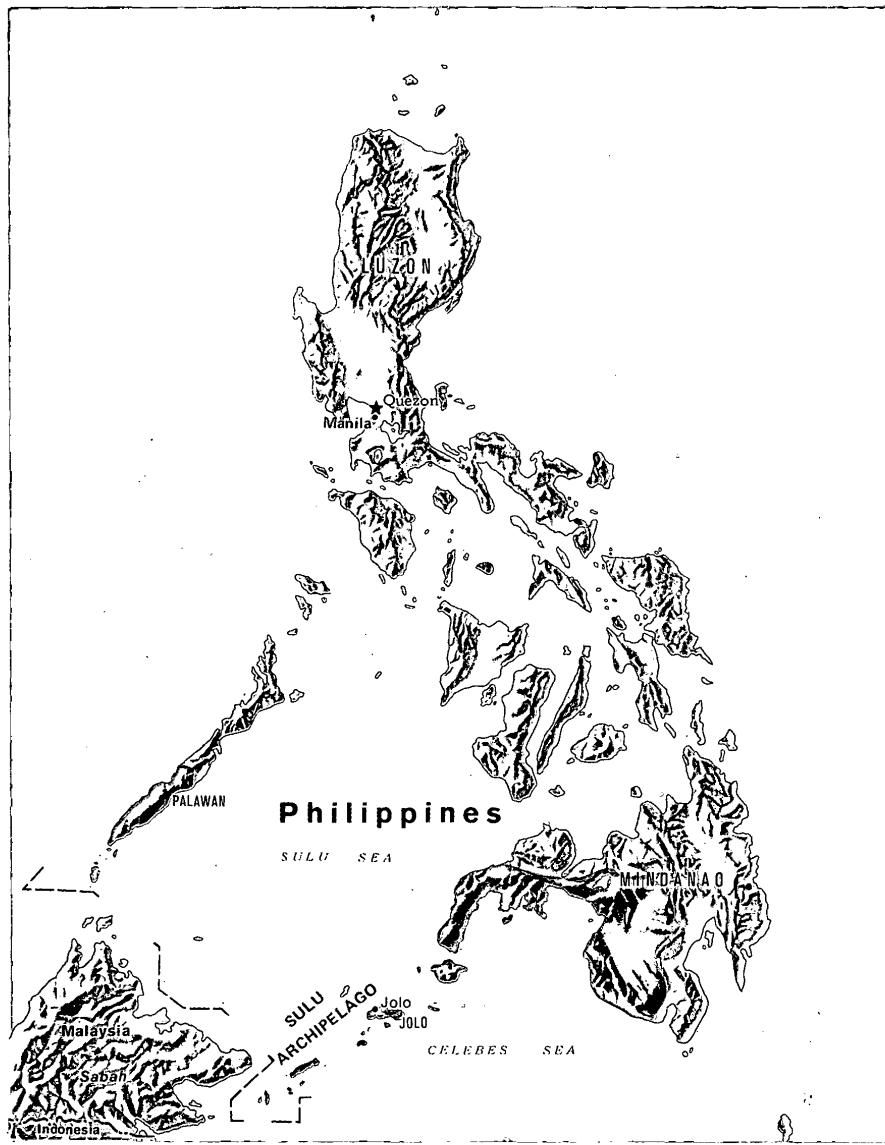
JAPAN

Foreign Minister Ohira's attempt to line up support within the ruling Liberal Democratic Party (LDP) for an aviation agreement with Peking has sparked considerable political infighting. While a clear majority of LDP Diet members favors the agreement, the dissenters represent political and business interests that cannot be ignored.

Some Diet members are ideologically opposed to close dealings with Peking. Others receive financial support from Japanese firms doing business with Taiwan. Still others, such as Finance Minister Fukuda, would like to see Ohira and Prime Minister Tanaka stumble politically on the issue. Fukuda and Ohira are leading contenders to succeed Tanaka as prime minister.

Discussions within the LDP will probably continue until pro-Taiwan elements have demonstrated their sincerity to constituents and sponsors. A face-saving arrangement will probably result. Although Tanaka has so far given little support to Ohira on this issue, he clearly realizes the foreign minister's importance in the cabinet. Ohira has committed his prestige to the agreement and failure to receive party approval could cause him to consider resigning.

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Area predominantly Muslim

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NOTES

Philippines: The government on February 4 launched a new combined military offensive against radical Muslim dissidents in the Sulu Archipelago, where insurgent activity has been heaviest in recent weeks. Mortar attacks on government positions on Jolo Island have forced the Philippine Air Force to remove planes from its base there. Dissident Muslim leaders in western Mindanao may now be tempted to take advantage of the government's preoccupation with Jolo to increase their own activity.

Egypt: President Sadat may have postponed the cabinet change he was considering last month in order to avoid giving the impression that Egypt regards the Arab-Israeli conflict as over or that Cairo is relaxing its military guard. The reorganization was to have brought Economy Minister Hijazi to the prime ministership, a post that Sadat has held along with the presidency for the past year. Hijazi has been heavily involved in Sadat's new economic programs. With or without the cabinet change, Sadat will probably continue with his plans for reconstruction and economic liberalization.

Laos: The government and the Communists have reached agreement on the establishment of a joint police force, according to a Pathet Lao announcement. This eliminates a major obstacle to the formation of a coalition government, which could be set up in the next few weeks.

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